

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY MEXICO

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E.O. 11652: N/A

TAGS: BEXP, MX

SUBJECT: LAS TRUCHAS EXPANSION

REF: MEXICO 4114

1. RE PARA 4 REFTTEL OUR IMPRESSION AFTER FURTHER CONSULTATION WITH INDUSTRY IS THAT THEY,PARTICULARLY ON THE FINISHING END, WILL AT LEAST PREQUALIFY FOR THE LAS TRUCHAS EXPANSION IF THEY HAVE NOT ALREADY DONE SO. THERE REMAIN HOWEVER A NUMBER OF VARIABLES WHICH COULD HAVE A MAJOR IMPACT ON THEIR RESPONSE.

2. A KEY VARIABLE AFFECTING THE U.S. RESPONSE WILL BE FINANCING. TO WHAT DEGREE WILL SICARTSA SEEK EXIMBANK FINANCING FOR THE PROJECT; AND WHAT PORTION WILL BE FINANCED BY IBRD-IDB. IT IS OUR UNDERSTANDING
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THAT SICARTSA HAS DONE LITTLE TO FIRM UP ITS FINANCING

ARRANGEMENTS. OUR EXPERIENCE IS THAT THESE FIRMS WILL NOT CONSIDER BIDDING UNTIL FINANCIAL DETAILS ARE ESTABLISHED.

3. ANOTHER VARIABLE WILL BE THE TIMING FOR THE IMPLEMENTATION OF THE PROJECT. AS EMBASSY PROBABLY AWARE THE MILL SUPPLIERS AT THIS TIME ARE EXTREMELY BUSY WHICH RESULTS IN THEIR BIDDING ONLY ON THOSE PROJECTS WHERE THEY BELIEVE THEY HAVE THE BEST OPPORTUNITY AND IF THEY WILL HAVE ENGINEERING TIME AVAILABLE DURING THE PERIOD COVERED BY THE PROJECT TIMETABLE. INDUSTRY DOES NOT HAVE A CLEAR UNDERSTANDING OF THE TIMETABLE ON THIS EXPANSION PROGRAM AND ANY FURTHER INFORMATION EMBASSY CAN DEVELOP WOULD BE MOST HELPFUL.

4. WE HESITATE TO ENCOURAGE INDUSTRY TO RESPOND UNTIL WE RECEIVE SOME DEFINITE ASSURANCES FROM SICARTSA THAT THEY WILL BE RECEPTIVE TO AND NOT DISCRIMINATE AGAINST U.S. PROPOSALS. INDUSTRY STATES THAT THIS CONSIDERATION IS FOREMOST IN THEIR MINDS. THEY ASK WHAT THE USG CAN DO TO MINIMIZE THE MEXICAN BIAS FOR NON-U.S. SOURCING. IT IS UNDERSTANDABLE THAT INDUSTRY DOES NOT WISH TO SPEND PROPOSAL MONIES WITHOUT A REASONABLE OPPORTUNITY FOR SUCCESS. WE SUGGEST HOWEVER, THAT A COORDINATED GOVERNMENT-INDUSTRY APPROACH WHOSE OBJECTIVE WOULD BE TO EMPHASIZE OUR INTEREST, U.S. TECHNICAL CAPABILITIES, AND AT THE SAME TIME ELICIT AN ASSURANCE FROM THE MEXICANS THAT U.S. PROPOSALS WOULD BE CONSIDERED ON AN EQUAL BASIS IS ADVISABLE. WE WOULD BE INTERESTED IN WORKING CLOSELY WITH THE POST IN DEVELOPING AND SUPPORTING SUCH AN APPROACH AND WILL BE PREPARED TO DISCUSS DETAILS DURING PLANTY'S WASHINGTON CONSULTATIONS. HOWEVER, IN THE INTERIM WE WOULD APPRECIATE ANY OBSERVATIONS POST MAY HAVE.

5. RE REFTEL WE REQUEST AMPLIFICATION OF EMBASSY'S STATEMENT PARA 3, "QUESTION OF IRREGULAR PAYMENTS AT BIDDING ALSO FACTOR IN EQUATION." KISSINGER
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